

# COMPETITIVE ADVANTAGES IN THE IMPLEMENTATION OF THE CORPORATE SOCIAL RESPONSIBILITY STRATEGY

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## **Abstract**

Effective management of social responsibility is manifested in the formation of production, economic and social goals of the organization, promoting their achievement, ensuring economic growth. The mechanism of social responsibility management should ensure formation of goals of regulating the activities of firms and the development of tools for achieving them.

The task of managing social responsibility is to ensure that in the short and long term market periods of production the effective performance of the necessary functions of all business partners, which means retaining a business team whose activities are aimed at solving current and strategic decisions in their dynamics. Advantages of enterprises from the implementation of social-corporate projects are divided into economic, social-organizational, social.

Competitive advantages for an enterprise that implements the principles of sustainable development in its day-to-day activities can be achieved through the following components: proper definition of priorities and directions of development, taking into account their social orientation; timely diagnosis of problems and implementation of measures to solve them; reduction of production costs by implementing modern logistics achievements, increasing resource efficiency and reducing waste; using of the benefits provided by law for the socially responsible enterprises; receiving the benefits during interaction with other manufacturing and financial institutions; reducing the risk of loss or loss of profit as a result of penalties or prohibition of activity; increase of investment attractiveness of the enterprise; increase of market segment due to awareness and desire of consumers to use the products of the enterprise; optimization of insurance costs.

Today's business environment requires business entities to be socially responsible behavior, which is a must-have for successful entrepreneurship, and adherence to corporate social responsibility concepts as one of the most effective tools for securing competitive advantage. Therefore, an important competitive advantage of domestic enterprises is the implementation of an effective corporate social responsibility strategy that will meet the social needs of different social groups and the state as a whole

The development and implementation of a corporate social responsibility strategy will allow to the management of the enterprise to improve relationships with staff, consumers, suppliers, public authorities, public organizations and other stakeholders as a whole, which will eventually increase the overall efficiency of the enterprise and give the competitive advantage.

**Keywords:** competitive advantages, corporate social responsibility, strategy.

## **INTRODUCTION**

In modern conditions, corporate social responsibility is increasingly viewed not only as a bona fide, supported by society doing business, but also as a way to create value added and increase economic efficiency. The task of any domestic enterprise is to realize its potential through the adoption and implementation of the corporate social responsibility strategy. Social programs and projects do not have a direct focus on profit, but their competent implementation leads to additional benefits for the

enterprise. Good reputation and responsibility of the business, in turn, ensures the preservation of the customer base, increases the pace and time of growth of the enterprise and its profitability. Customer loyalty is achieved through the positive image of the enterprise and its products among consumers. By improving the quality of goods and providing services, disclosure of information, its transparency and accessibility, meeting the requirements in the field of social responsibility facilitates the access of national producers to investors' capital. The implementation of the CSR strategy also has an impact on the development and retention of intellectual capital. And this is not the full list of benefits for businesses from doing socially responsible business.

## **RESEARCH RESULTS AND DISCUSSION**

Effective management of social responsibility is manifested in the formation of production, economic and social goals of the organization, promoting their achievement, ensuring economic growth. The mechanism of social responsibility management should ensure that the goals of regulating the firms' activities are formulated and the means and tools for achieving them are developed. The modern concept of social responsibility management assumes that it extends to all phases of the reproduction process, taking into account that business is responsible not only for the developed social programs, but also for the effective application of the principles of social responsibility in front of business partners.

The task of social responsibility management is to ensure that in the short and long term periods of production the effective performance of the necessary functions of all business partners, which means retaining a business team whose activities are aimed at solving current and strategic decisions in their dynamics. The role of the process of social responsibility management, as a technology of management activity, is to ensure the effective implementation of the set goals of the firm's regulation. We have divided the advantages of enterprises from the implementation of social-corporate projects into economic, social-organizational and social ones.

When implementing a social strategy, the company raises the question of the balance of two indicators - efficiency for society: social effect (social value added - the contribution of the enterprise in solving the social problem) and benefits for the enterprise: impact on the main activity (business value added - economic effect (income) from the sale strategy). However, when referring to the economic benefits of CSR for the enterprise, many authors point out that such benefits are most pronounced in areas such as finance, marketing and personnel management. In addition, valuable CSR measures in the area of risk management, that is reducing operational risks, increasing capitalization, increasing financial performance, improving productivity, developing innovations that contribute to market expansion, and so on.

There are three main indicators for business benefit assessments business benefit assessments related to their participation in social programs:

- 1) return on investment aimed at social programs (return on investment);
- 2) the effectiveness of charitable assistance and other social strategies compared to the effectiveness of advertising, sales promotion, etc. (efficiency measurement);

### 3) process of implementation of social strategies (process strategy)

In that in most cases it is not possible to give a value description of the last two indicators, the methods of expert evaluation are used for their quantitative interpretation.

The economic benefits of enterprises from the implementation of social-corporate projects are reflected in the following:

1) enterprises focused on socially responsible behavior usually are leaders in their industry and achieve greater success than those that pursue purely financial goals;

2) the value of shares of companies with high levels of staff involvement in voluntary programs is on average growing faster than the industry average;

3) the net profit of companies with a low level of corporate volunteering and the profitability of their operating profit is lower than that of companies with a high level of corporate volunteering;

4) more than half of consumers worldwide prefer to use the services of businesses that have a good reputation in CSR field;

5) 75% of investors recognize that aspects of CSR activity are important when making investment decisions;

6) increase in sales and market share happens as a result of mass support by the population of those enterprises that are constantly publicly following CSR;

7) optimization of operational processes and reduction of production costs as a certain benefit from CSR implementation.

Concerning regard to social and organizational advantages, socially responsible behavior of enterprises arises in response to certain expectations of society and is a reflection of a certain business and social position. Thus, socially responsible behavior is an important indicator of business maturity.

The right organization, socio-corporate strategies allow businesses to strengthen their corporate spirit, reduce staff turnover, and establish new contacts. According to international practice, through participation of employees in volunteer programs, labor productivity is increased by 20-28%.

Social programs and corporate volunteering are an important component of professional development and training through the provision of real life practice that is not part of any traditional curriculum. In new conditions, employees think more creatively and actively seek solutions to their tasks, which in turn develops innovative approaches to finding solutions, communication and organizational skills, including time management, stress and prioritization, understanding the values of teamwork, raising self-esteem.

This kind of social-corporate activity of the employees of the enterprise as transfer of business skills to local non-profit organizations promotes more effective social investments of the enterprise.

The most difficult issue for businesses is attracting and retaining skilled workers. More and more young professionals are choosing a socially responsible employer. This approach is closely linked to the level of remuneration, fullness of the social package, career opportunities and so on.

And last in our list are social benefits. Employees, involved in social projects, influence on market formation and customer loyalty. 86.9% of the 3,000 respondents graduates from China, the United Kingdom, the United States and other countries surveyed prefer to work in a company that is socially responsible.

Practice of socially responsible behavior can help to promote the enterprise, strength its image, gain competitive advantage, improve internal organizational relations, strengthen relations with local and regional authorities, access to new markets, engage more with target audiences, attract new employees and partners. In the Millennium Poll consumer survey of 23 countries around the world, 25,000 respondents were asked: "What is most influential in shaping your thoughts on any business?" As a result, 56% of the respondents considered the most important social responsibility of the company; 40% - quality of products and brand; 34% - financial indicators.

Doing socially responsible business leads to an increase in the number of consumers through social and environmental labeling, distribution of information on social and environmental programs, compliance with social norms and other CSR tools.

Corporate volunteering programs allow to the company to engage in an active dialogue with stakeholders and in a joint effort to identify local community needs, corporate objectives. Such increased engagement often leads to the formation of partnerships, where enterprise opportunities serve as a tool for additional resources and sustainability of socially important corporate programs in the long run.

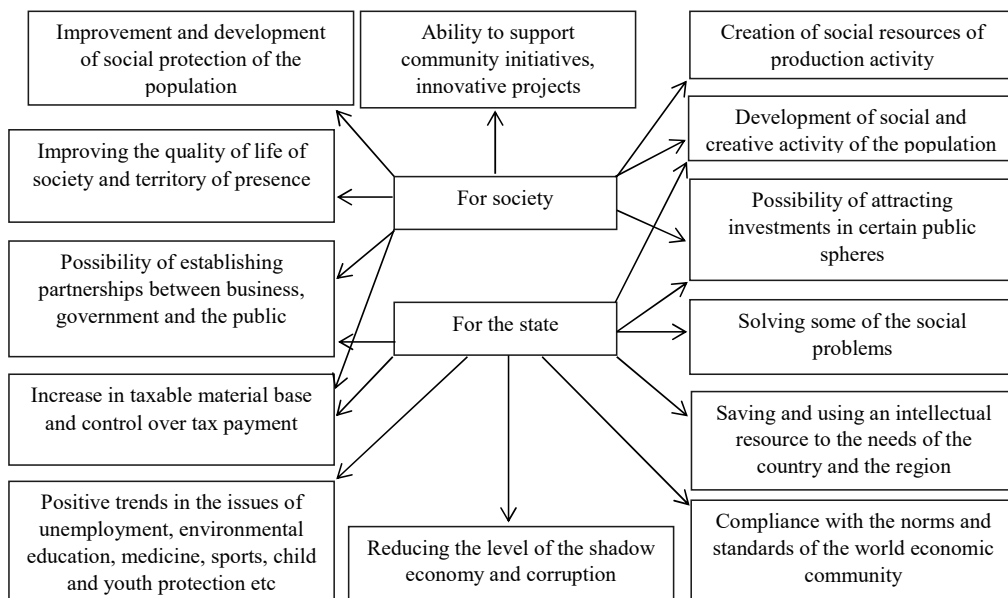
Speaking about the benefits for business, it is also worth mentioning that the implementation of the CSR strategy also has certain benefits for society and the state as a whole (Figure 1).

Thus, the evolution of CSR strategies is shaping new approaches to its modern concept, but in the age of globalization, the need to apply CSR becomes vital for businesses and is characterized as "... the ability of businesses to meet the economic, legal and ethical expectations of society" [2].

Modern business environment requires business entities to be socially responsible behavior, which is a must-have element for successful entrepreneurship, and adherence to corporate social responsibility concepts as one of the most effective tools for securing competitive advantage. Therefore, an important competitive advantage of domestic enterprises is the implementation of an effective corporate social responsibility strategy that will meet the social needs of different social groups and the state as a whole. As the success and achievement of positive results of functioning of domestic enterprises in a market environment is increasingly determined not only by economic factors but also by social ones.

The competitiveness of domestic enterprises as entrepreneurial structures can be considered as a system of interdependent competitive advantages, which allows understanding competitiveness as the effectiveness of managing competitive advantages. Developed competition in many sectors of the economy is creating new requirements for all market counterparties. This situation requires the stability of enterprises, which is possible on the basis of the constant improvement of the quality of goods and services offered by the enterprises of industry, as well as the effective

management of their activities aimed at achieving their goals by increasing the level of competitiveness.



*Figure 1. Benefits of implementing the CSR for society and the state*

Competitive advantages for an enterprise that implements the principles of sustainable development in its day-to-day activities can be achieved through the following components: proper definition of priorities and directions of development, taking into account their social orientation; timely diagnosis of problems and implementation of measures to solve them; reduction of production costs by implementing modern logistics achievements, increasing resource efficiency and reducing waste; the use of the benefits provided by law for socially responsible enterprises; gaining the benefits of interacting with other manufacturing and financial institutions; reducing the risk of loss or loss of profit as a result of penalties or prohibition of activity; increase of investment attractiveness of the enterprise; increase of market segment due to awareness and desire of consumers to use the products of the enterprise; optimization of insurance costs.

Considering the Europe 2020 strategy [6], it is found that the concept of “corporate social responsibility” is equated with the concept of “social responsibility of business”. The essence of this definition is interpreted as voluntary obligations of business entities that go beyond the current legal norms to be responsible for the results of their activities not only in the economic, but also in the social and environmental spheres. Thus, the responsibility of business structures extends to a wide range of stakeholders – owners, employees, business partners, public authorities, local people and society at large. It should be noted that corporate social responsibility of the enterprise is based on a set of general scientific and special

principles, namely: initial theoretical provisions, the most important requirements that fulfill the role of rules, the observance of which ensures the effective development of the enterprise. Under the principles, we understand the basic rules that underlie the process of forming, studying, analyzing and evaluating the effectiveness of the implementation of corporate social responsibility components with the enterprise strategy.

Separate the basic principles and strategic goals of CSR, which are integrated into the overall business strategy of the enterprise under conditions of development of integration processes (Table 1).

Table 1. Principles and goals of corporate social responsibility strategy formation under conditions of development of integration processes

Basic CSR principles	Strategic CSR Objectives
<ul style="list-style-type: none"> <li>- Responsibility for results of activity.</li> <li>- Volunteering.</li> <li>- Taking into account the needs and expectations of stakeholders.</li> <li>- Integration into long-term enterprise development strategy.</li> <li>- Compliance with legal and ethical standards adopted by society at both national and international levels.</li> <li>- Transparency of activities.</li> <li>- Accountability.</li> <li>- Consistency with the goals of sustainable development of society</li> </ul>	<ul style="list-style-type: none"> <li>- Production of quality products and services for consumers.</li> <li>- Investments in staff development and human potential.</li> <li>- Fulfillment of the requirements of the current legislation (tax, environmental, labor).</li> <li>- Building mutually beneficial relationships with all stakeholders.</li> <li>- The concept of doing business that is focused on increasing national competitiveness.</li> <li>- Consideration of public expectations and generally accepted ethical standards of doing business.</li> <li>- Formation of civil society through partnership programs and community development projects</li> </ul>

Source: compiled by the authors on the basis of [6; 7]

According to the list of CSR goals and principles, the goal of a social responsibility strategy is to address a range of socially significant issues by creating the preconditions for a decent level of social security and promoting social cohesion. Therefore, the formation and implementation of an effective CSR strategy of an enterprise involves the delimitation of the external and internal spheres of social responsibility programs.

From a practical point of view, the implementation of CSR can be implemented only through a specific practice of business activities, which will be aimed at minimizing the negative impact of the enterprise and to achieve sustainable development of the enterprise. That is, achieving the "triple result" of sustainable development, according to the theory of J. Elkington 3P (People-Planet-Profit), occurs in three quite different directions – social, environmental and economic performance.

At the present stage of development of economic relations, sustainable development of the enterprise is a new management philosophy according to which any management decision is made taking into account economic, social and environmental effects. Therefore, corporate social responsibility is one of the key management trends of the new millennium and characterizes entrepreneurial activity

as one that meets stakeholders' expectations of economic, legal, ethical, environmental and social indicators, which significantly influences the business strategy of the enterprise.

The positive result from the implementation of the CSR strategy is the creation of long-term sustainable competitive advantages of the enterprise, which is based on a special type of intangible assets – the so-called relationship assets, which are a factor in increasing the organizational wealth of the enterprise. Under relationship assets mean intangible resources that are formed as a result of interaction and sharing of specific assets, such as: information, knowledge, brands. The systematic implementation of CSR by the enterprise makes it possible to increase its income by increasing social capital, while at the same time influencing the strengthening of social capital of the society as a whole, facilitating the exchange of knowledge and information, which will create favorable conditions for strengthening social cohesion.

The CSR strategy “is a corporate document that defines the values and standards by which doing an operating activities of the enterprise”, and the implementation of the CSR strategy involves the implementation of a long-term program of action aimed at one of the most important tasks for any enterprise – increasing its attractiveness for investors, public authorities and employees [3]. CSR is not only an internal organizational development strategy, but, according to the Forum of Socially Responsible Business of Ukraine, it can be considered as “an active social position of the enterprise, which consists in harmonious coexistence, interaction and constant dialogue with the society and manifests itself in the participation of the enterprise in solving the most acute problems of society and community” [4]. A broader understanding of CSR “as an enterprise strategy based on the principles of corporate responsibility for the impact of its decisions and activities on society and the environment, implemented through transparent and ethical behavior that respects stakeholder expectations, not contrary to the law and international standards of behavior” [5].

In general, the CSR strategy is a necessary factor in the formation of the corporate concept because it can be part of the overall enterprise development strategy - part of the business strategy or, in fact, the enterprise CSR implementation strategy.

The views of scientists on determining the stages of CSR strategy formation of an enterprise are divided. In one case, there are five steps to formulating a social responsibility strategy: defining a mission and vision for social responsibility; the formation of a system of goals; assessment of the influence of environmental factors; assessment of the level of social responsibility; analysis of alternatives and choice of strategies. Forming the mission and goals, it is proposed to study the needs of social responsibility entities and align with the goals of the enterprise development strategy. Choosing a strategy will allow to ensure a high level of socially responsible business in the following areas: development of the concept of personnel training, strengthening of social protection of workers, public and communities health, development of local infrastructure, business ethics, environmental and environmental activities, meeting the needs of consumers.

The development and implementation of a CSR strategy may include such steps as: carrying out analytical work (external and internal environments of the

enterprise); identifying strategic development alternatives (formulating CSR development scenarios at the enterprise); evaluation and selection of the optimal CSR development strategy; documenting the chosen strategy and assigning responsible persons; implementation of the measures taken; summarizing the intermediate results of the strategy implementation and evaluation of the results of implementation of the targeted programs, their finalization [1]. This algorithm assumes the basic tasks of CSR debugging and takes into account the main stages of development and implementation of any enterprise strategy.

In general, the development of CSR strategy at each stage requires coordination with other elements of the strategic set of the enterprise, namely: development strategy, competitive strategy, marketing, financial, production strategies, etc. In the process of forming a corporate strategy, it is necessary to identify and develop measures that would improve the competitiveness of Ukrainian enterprises. This should take into account the main areas in which the relationship between strategic management and corporate social responsibility should be improved, as well as the problematic aspects of CSR management in the enterprise should be determine. We have attempted to identify each of these components of the CSR strategy, the detailed characteristics of which are presented in Table. 2.

Therefore, in order to increase competitiveness, domestic enterprises when forming a corporate strategy should:

- incorporate CSR strategic measures into the corporate development strategy by establishing reporting standards in its corporate social responsibility program in the future, taking into account the principles of social responsibility;
- to implement a policy of responsible attitude of the organization to its employees, to support and develop the position of active citizenship, to train the staff of social responsibility at the level with other business goals, to introduce the competence “corporate social responsibility of the employee” in the personnel evaluation system;
- initiate dialogue with impact groups as a tool to obtain information on optimizing of social programs and minimizing enterprise risk. To foster social responsibility across all groups of influence from both business and non-business stakeholders;
- set up specialized units (for large in size and scale enterprises) that would be responsible for the CSR activity, or, if this is not possible (it is about small business), enter a separate position (functions) solely responsible for for administering this activity.

At the same time it is necessary to dwell in more detail on the problematic aspects in managing the CSR strategy at the enterprise, namely:

- lack of setting performance targets for managers related to social responsibility, which is a key point in the transition from concept to proactive action;
- lack of measurement of the commercial effect created by CSR initiatives. This is largely due to the difficulty of measuring the impact of CSR policies on such indicators as improving reputation, enhancing the professional level of employees and sales, so today there is no standardized methodology;
- the difficulty of measuring the social significance of CSR initiatives. Little attention is paid to assessing the real impact of donations or assistance in emergencies.



Table 2. Characteristics of measures, directions and problematic aspects in managing the corporate social responsibility strategy

Measures of increase of competitiveness of the enterprise	Areas of interconnection of strategic management and CSR	Problematic aspects of CSR strategy management
Incorporate CSR strategic measures into corporate development strategy	Developing cost-effective links between business and local government	Lack of performance targeting, related to social responsibility
Introduce a policy of responsible attitude of the organization to its employees	Formation of a clear idea of the leaders of industrial enterprises on the content of social responsibility as a social phenomenon	Lack of measurement of the commercial impact of CSR initiatives
Initiate dialogue with impact groups	Improving the quality of business culture at every domestic enterprise	The difficulty of measuring the social significance of CSR initiatives
Establish specialized CSR units	Establishing a close relationship between enterprises with nonprofits organizations	Undeveloped practice of providing detailed CSR reports and involving a third party to verify this information
To implement the principles of corporate social responsibility in the activity of public authorities and local self-government	Increasing the level of information openness, developing new channels of communication with various social groups	Unpreparedness to disclose information about the social and environmental impact of products on the environment
Increase enterprise budgets for CSR activities	Development of special documents containing the main directions of development of social relations within the enterprise	Tracking consumer preferences for their products, but insufficient attention to human rights, environmental and business ethics

Accurate measurements are needed, as the vast majority of stakeholders hold the positive importance of CSR activities and require greater transparency and accountability of enterprise activities;

- an underdeveloped practice of providing detailed CSR reports and involving a third party to verify this information, without which it is impossible to build trusting relationships between stakeholders. Basically, regular CSR reporting is provided by large enterprises whose stock is marketed, while small businesses and non-profit organizations practically do not practice reporting;

- tracking consumer preferences for their products, but lacking in attention to human rights, environmental and business ethics issues. Thus, businesses are missing out on serious opportunities to position themselves in the market, because more and more people are changing their tastes, habits and views on these issues.

## CONCLUSION

Despite the complex challenges in managing the CSR strategy, understanding the strategic nature of corporate social responsibility enables the enterprise not only to rationally meet existing expectations in society, but also to actively build an appropriate systemic response to those expectations. Therefore, managers and business owners are tasked not with the accurate implementation of CSR elements in strategic management practices, but with the development of integrated CSR strategies, which is an integral part of the enterprise strategic management system. At the heart of the strategic approach to CSR management lies strategic analysis, which allows by tracking changes in

environmental elements, suggests that it will change and make relevant decisions in accordance with the changes.

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